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The budget situation can be sustainable, but that it will take political will, hard work and perhaps good luck. Another major shock would make the situation difficult. Debt restructuring is certainly called for, and may need to be extended, but debt relief does not seem to be needed. Calls for debt relief with high levels of subsidies (with virtually unlimited liability as subsidized prices are set in nominal terms) coupled with relatively low tax revenue shares (outside of oil) are likely to be counterproductive. Foreign observers will conclude that Indonesia has not done its share to solve the problem. Added to this is the perception of foreign observers that while Indonesian government's debts are large, assets are also large and the government's net worth is very unclear. Progress on reducing subsidies, raising taxes (especially VAT), and increasing non-tax revenues through privatization, are keys to achieving sustainability. An external benefit of a strong strategy to achieve these targets will arise if there is another crisis. If Indonesia has made significant progress in these areas and was then hit by a crisis, the world community would be forced to look on this situation sympathetically. The converse is equally true. Little or no progress in these areas would leave foreign observers with less sympathy if there were another problem and debt forgiveness were to be needed.

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Fiscal Policies for Economic Recovery[1]

by
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Partnership for Economic Growth (PEG)

I.   Introduction

In June 1997 the Indonesian government accounts looked to be in relatively good shape. There had been a relatively sizable surplus for three straight years (94/95-96/97), and the Government's outstanding public debt had been reduced by something close to 10 billion USD.[2] However, as the crisis evolved the situation looked different. A budget deficit of 8.5% of GDP was initially programmed for 98/99, a deficit of approximately 6% of GDP is programmed this year and something close to 5% next year.[3] More notably the World Bank is quoted as saying that public debt has risen from 24% of GDP (pre-crisis) to 60% of GDP (end 1998) and that it will reach 102% of GDP by end 1999 with bond issues for bank restructuring potentially complete.[4] Thus what began as a private sector currency and debt crisis has become a potential fiscal crisis and concerns about the sustainability of the government fiscal position are setting off alarm bells in Indonesia and abroad.

In this short note, let me try cover three areas. **Section Two** provides some background, definitions and an historical overview of the fiscal situation in Indonesia pre-crisis before closing with a brief look at the current year's budget. **Section Three** suggests a possible budget for four years from now, compares this budget with both the current situation and the level of some other countries in the region and around the world and then turns to the issue of the Indonesian official debt stock. Finally, **Section Four** provides some views on some fiscal policy priorities.

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[1]Prepared for the LPEM FEUI and PEG-USAID Conference, "The Economic Issues Facing the New Government," Wednesday August 18th, 1999. The author would like to acknowledge the contribution of Mr. Wismana Adi Suryabrata, who provided a number of the ideas expressed in this paper. However, the views (and errors) are the author's own and are not necessarily those of Mr. Wismana, USAID or the Government of Indonesia.

[2]The World Bank, "From Crisis to Opportunity," July 1999, Table 12.

[3]For reasons I will go into later last year's deficit turned out to be considerably less at 2% of GDP (1998/99) and this year's deficit may be overestimated as well (Section Two). Data source: Recent Developments and Prospects under the Extended Arrangement, Consultative Group for Indonesia, Paris July 27-28, 1999, Statement by the IMF Representatives, Table 1.

[4]World Bank, *op. cit.*, pg.1.5. The Bank defines public debt here more precisely as "... the sum of external debt by government, state enterprises, and state banks, and the outstanding stock of restructuring bonds issued by the government."   I will return to these numbers in more detail in Section Three.

II. Background

The Budget (GFS versus APBN treatments)

Table One (in the GFS treatment, used by the IMF) has the Indonesian budget including the current year's in percent of GDP.

Before looking at the details some comparisons to the Indonesian budget treatment and definitions are in order.[5] The

Table One
Central Government Operations
(% of GDP)

	93/94	94/95	95/96	96/97	97/98	98/99	99/00
Total revenue	16.7	16.3	14.9	15.0	15.6	15.2	13.3
Tax revenue	14.5	14.5	13.4	13.6	14.7	14.2	12.0
Oil & gas	3.7	3.4	3.2	3.6	4.4	4.1	3.0
Non-oil & gas	10.8	11.1	10.3	10.0	10.3	10.1	9.0
Non-tax Revenue	2	1.7	1.4	1.4	0.9	1.0	1.2
Total expenditure & net lending	17.2	16.1	14	14.1	16.7	16.6	17.8
Current expenditure	9.0	8.5	8.8	8.9	10.2	11.7	12.4
o/w subsidies	0.4	0.4	0.0	0.3	3	4.2	3.1
o/w interest on external debt	1.9	1.5	1.5	1.4	1.6	2.6	1.8
Development Expenditure and net lending	8.1	7.6	5.1	5.3	6.6	4.9	5.5
Current balance	7.6	7.8	6.1	6.2	5.4	3.5	0.9
Primary balance	1.3	2.1	2.9	2.5	0.5	1.2	-2.8
Interest on Bank Restructuring	0.0	0.0	0.0	0.0	0.0	0.8	3.1
Privatization proceeds	0.0	0.4	0.4	0.2	0.0	0.2	1.2
Overall balance	-0.5	0.6	1.3	1.2	-1.1	-2.1	-6.5
Financing	0.5	-0.6	-1.3	-1.2	1.1	2.1	6.5
Domestic	0.0	-0.5	-1.1	-0.8	-0.4	-2.4	1.5
Recovery of Bank Assets	0.0	0.0	0.0	0.0	0.0	0.0	1.6
Net Foreign Financing	0.5	-0.1	-0.2	-0.5	1.5	4.4	3.5

Note: Source IMF (September 97, IMF July 99) numbers differ in the GDP used, see footnote 21.

Indonesian budget (the APBN[6]) is, like most countries oriented around cash flow, but different from the IMF version in its focus on the public sector borrowing requirement (PSBR) [see below].

Item splits reflect historical importance. For instance, the key splits on the revenue side are between oil&gas revenues, other taxes and non-tax revenues. Non-tax revenues have historically included privatization revenues as well as profit remittances, operating surplus from the domestic sale of fuel products (on rare occasions) and a number of other things. The treatment of oil clearly reflects its historical importance.[7] Privatization is treated as cash in

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[5] For a very good discussion of general budget concepts see Blejer and Cheasty, Journal of Economic Literature, Vol. XXIX (December 1991), pp. 1644-1678.

[6] APBN (Anggaran Pendapatan Belanja dan Negara).

[7] See Annex Table One for an IMF treatment of the World Bank (1999) budget figures. In their initial presentation they are based on the APBN presentation but are regrouped there. Historically oil &gas revenues were greater than other taxes through the mid-80s and remain approximately equal until the early 1990s. The presentation Annex One and Table One are broadly but not exactly comparable.

the year it occurs, and capital infusions to state enterprises are treated analogously, i.e., as expended in that year (in the development budget). Probably the key difference is in the treatment of amortization. The APBN treats amortization as a routine expenditure item along with the usual personnel/material costs (including the transfers to the regions) and subsidies. In the Government of Indonesia treatment the difference between the domestic revenue items and these expenditures results in Government Savings, funds that can be used for development needs. The shortfall between desired development spending and government savings is the financing or PSBR in any given year. The Indonesian balanced budget law states that the budget must be balanced (at least ex-ante) without recourse to domestic financing but allows the use of foreign funds (and deficits) to achieve that balance.

The IMF budget treatment introduces the concept of financing. Financing items (or items below the line) are contributions to or withdrawals from stocks of previous debt or assets, while other items (above the line) are current revenue or expenditure items. The total below the line is the government's savings investment gap or needed financing. This is the approach used in Table One. The key (or conventional) "deficit" is the overall balance or savings investment gap. The focus is on the net shortfall (or excess) of resources needed rather than the PSBR which is the gross resources needed (foreign in the case of Indonesia). Again amortization of existing debt is the largest difference. Intuitively the Indonesian treatment looks at amortization as a drag on cash flow while the IMF treatment looks at it like a contribution to reducing a stock of outstanding liabilities.

The financing items are focused on the way that the government can fill the potential gap since each method of filling the gap has different fiscal consequences. The IMF (1998) puts it like this:

> "... there are four ways to finance a deficit: (i) borrowing from the central bank, or 'monetizing' the deficit; (ii) borrowing from the rest of the banking system; (iii) borrowing from the non-bank private sector; and (iv) borrowing from abroad, or running down foreign exchange reserves."[8]

There are a few additional things to note in this approach. Most strikingly the budget in Table One does not treat privatization as financing, does not treat interest payments on bank restructuring as current expenditure and but does treat the recovery of banking assets as a financing item. The effect of the classification of interest costs on bank restructuring is relatively negligible. They are classified separately but for calculation of the balances involved they are considered as current expenditures. Moving privatization to financing explicitly would make reported deficits slightly larger, as selling these assets reduces the

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[8]Ouanes, Thakiur, IMF Macroeconomic Accounting and Analysis in Transition Economies, pg. 63. The sale of existing assets could be added to this taxonomy as well.

government's net worth in the same way as taking on new foreign debt and they are counted as financing in the calculation of development spending and net lending.[9] The government's capital contributions were not included as financing historically (as negative or a contribution to the government's asset base) so there is a justification for not counting them as a draw-down as financing either.[10] The recovery of bank assets reduces the stock of government assets and can clearly be used to finance the deficit and is explicitly shown like this. In the APBN treatment bank asset sales are netted out against the interest costs of bank debt leaving the focus on the net cost of bank restructuring. There is a liability in the form of the bank recapitalization bonds and there are off-setting assets at IBRA and in the government's equity in the banks, that can be recaptured when sold. Conceptually the government is carrying both these liabilities and assets forward.[11] When amortization of the bank bonds begins this would enter as a negative financing item.[12]

Budget Balances here are three measures of budget balance shown in this format. The most important is the overall balance, which reflects the government's saving minus investment (above). The current balance is the difference between current revenues and current expenditures and indicates the amount that, without financing (net), can be put into capital (or development spending) or used to pay-off debt if the current balance is larger than desired capital spending. However, there are many problems with this measure. In particular, the distinction between current and capital spending is easier to make in theory than in practice. In theory capital spending is for items which increase the nation's net worth (and therefore the government's through its ability to tax). Clearly spending on physical infrastructure accomplishes this, but so do additions to human capital which are not easy to measure and may be found in the routine budget. Meanwhile, the development budget includes a large component of what are implicitly salaries and subsidies which would

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[9] Development spending and net lending are calculated, and thus implicitly include both items on the development budget and off-budget. Development spending and net lending are defined as = current surplus + financing + privatization - bank recapitalization.

[10] Calculating the government's net worth more broadly is obviously very complicated. For instance, the value of public enterprises, government land and buildings, the stock of oil & gas reserves, the value of forest land, etc. would also have to be considered in addition to the foreign and domestic debt stocks that are explicitly included. As the World oil price moves from USD $10 a barrel to $USD 20 the government's net worth would probably change dramatically. However, creating a balance sheet for the government each year has been recommended and some countries are beginning to do this.

[11] The liabilities for bank recapitalization could be considered contingent liabilities based on an implicit (not legal or formal but binding) guarantee of the banking system that existed previously. Thus the deficits involved in the increase in these unfounded liabilities were growing over a number of years and only became explicit during the crisis.

[12] There are other differences concerning the treatment of military spending and subsidies in the development budget, which are moved to current spending under the IMF treatment.

naturally belong in the current budget.[13] Most analysts do not have much confidence in the measure of current and capital spending involved in this difference.

The primary balance is the overall balance adjusted for interest payments (they are subtracted from the overall deficit and represent the non debt portion of the deficit).

Blejer and Cheasty go on to add:

> "The primary deficit measures how current actions improve or worsen the public sector's net indebtedness, and it is important for evaluating the sustainability of government deficits. Although fiscal deficits can be run indefinitely, the primary balance must eventually become positive to cover at least part of the interest on current debt. If public revenue and the economy as a whole grow faster than the real interest rate, then even the primary balance can remain in deficit. However, it is generally not possible in the long run to always grow faster than the interest rate."[14]

The calculation of the primary deficit in Table One based on IMF (1999) includes privatization as a financing item (based on the logic above) raising the overall deficit slightly and subtracts interest costs for external debt and bank restructuring.

Historical Overview

Let us take a brief look at the substance of the figures themselves. As stated in the introduction budget surpluses (measured by the overall balance) begin in 94/95 and continue through 96/97 in the range of one percent of GDP. These surpluses are created by the government's net repayment of foreign debt, and the accumulation of surpluses with Bank Indonesia, a kind of demonetization. In Annex Table One there is a longer time series based on World Bank figures (see footnote 6). From Annex One we can see that the overall budget deficit peaked in 87/88-88/89 in the range of 2% GDP and remained negative through the 1980s. Following the oil crisis (and budget crisis it precipitated) in 1986 the budget deficit was significantly negative through 89/90 before turning positive 3 to 4 years later. The primary balance in both the Annex and the more recent Table One have been consistently positive.

Prior to the crisis, Indonesian expenditure to GDP ratios ranged from a high of 21% to

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[13] Estimates of how much routine spending is found in the development budget in Indonesia vary, but see Table Five for an international comparison of capital spending as a share of GDP in some other countries.

[14]Blejer, Cheasty, op. cit., pg. 1655, themselves quoting the World Bank Development Report of 1988.

a low of 14% of GDP. They appear to have been dropping just prior to the crisis as secular declines in oil & gas revenues were not being made up by rises in other tax and non-tax revenues. Generally speaking total expenditures seem to have a long run average of 16 to 17% with current expenditures around 9% and subsidies relatively small at less than .5% of GDP. Development spending and net lending being the residual have been more variable but have largely been in the 5-7% range. Tax revenues (non oil &gas) have recently been in the 10 to 11% of GDP range and non-tax revenues between 1 and 2%, while oil and gas have been declining over time (dramatically since the early 1980s).

Fiscal policy during the crisis

Fiscal years 97/98 and 98/99

To do justice to this topic would require developing and presenting quarterly budget estimates in the format of Table One. This is an important and should be pursued for the lessons involved, but given time and data constraints, the focus here, except qualitatively, remains on the annual data. The first, potentially surprising fact, is that the deficits are so low. In 97/98 the deficit was only 1.1% of GDP and reached only 2.1% of GDP in 98/99 after an agreement to run a deficit of over 8% of GDP had been agreed. One and two percent of GDP are pretty typical budget deficits for countries running at or near potential GDP.

What happened? First, revenue did not fall as expected. While oil and gas prices were low, they rose in rupiah terms and as a share of GDP due to the magnitude of the depreciation of the rupiah. Even more surprisingly overall tax revenues remained high apparently buoyed by income from the high level of time deposits and high interest rates. However value added taxes did fall off dramatically which is surprising since one would expect that they would be more stable with respect to GDP than income taxes which would be expected to suffer as corporate and individual losses mount.[15] **Table Two** gives estimates of overall tax buoyancy. Historically taxes have been relatively elastic with respect to GDP with virtually all major categories being above one.[16]

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[15] In explaining this puzzling fall off in value added taxes there are several possibilities. First, the base of this tax is thinner than might be expected from its name, and only certain sectors pay any significant amount. These sectors may have been especially hard hit during the crisis. Another and related explanation, is that importers actually end up paying a fair share of this tax, presumably in line with their value added and are, in theory rebated later. They are easily targeted and were clearly hurt badly during the crisis.

[16] These estimates are based on realizations, initial budget estimates have tended to be lower.

Probably the key difference in the outcome occurred on the expenditure side. In the early months of the crisis (1997/98) the government cut development projects in a (in retrospect) misguided attempt to tighten budget spending. In the political confusion between January and May there was no agreement between the Indonesian government and the donors on foreign financing (and no disbursements) and this was not resolved until early May 1998. In the meantime the government had been holding up spending given uncertainty about both its own resources and foreign commitments. The agreement in early May was overtaken by the events of May 14 and 15 and a new cabinet and a new budget were prepared with

Table Two
Tax Buoyancy
(% of GDP)

	1985-90	1990-95	1996/97	1997/98	1998/99
Taxes on Income/assets					
Income	1.6	1.6	1.8	0.5	2.1
Property	2	1.3	1	0.7	0.7
Taxes on Domestic Consumption					
Sales/VAT	4.4	1.2	1.2	0.8	0.3
Excise	0.8	0.9	1.5	0.6	1.3
Non-oil & gas			0.8	1.1	0.9
Domestic Revenue	0.9	0.9	1.5	1.1	1
Expenditure					
Personnel	1.2	0.9	2.1	0.3	0.4
Material	0.6	1.3	2.2	1	0.2
Total Routine	1.5	0.8	1.6	1.5	1.4
Development	0.9	0.9	0.9	1.7	0.9

Source: Calculated from data World Bank (1999) Tables 18,19.
  Buoyancy is calculated (without adjustment in underlying tax base) as

increased emphasis on social safety net spending. This slowed down negotiations and it was not until July that the Government had a clear idea of the amount of foreign assistance that it might receive. In the meantime there were new and untried projects to be developed and put in place, by a bureaucracy not used to moving quickly, and under much greater oversight. All of this acted to slow spending. Thus budget spending did not achieve targeted levels and the deficit came in low. In fact the deficit for the whole year of 2% was probably comprised of a surplus during the first two quarters and a larger deficit in the last two.

This Year's Budget

Let us briefly look at this year's expected budget outcome.[17] This years budget as presented in the IMF remarks at the Consultative Group for Indonesia is included in Table One. Events have been moving quickly over the last few years, and many budget assumptions have proven to be quickly outdated, and this budget may be no exception. The most immediate source of changes is probably from the impact of oil prices on both revenues and expenditures, but estimates of various taxes and items dependent on interest rates may also need updating.

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[17] Forecasting of future outcomes is dependent on the starting point being reasonably accurate.

Oil and gas

The assumption in December when the budget was put together was that oil prices would be $10.5 per barrel for the year, which appeared reasonable at the time. However, oil prices have roughly doubled since then. By the CGI last month the estimate has moved to the $15 a barrel range raising both oil&gas revenue and subsidies correspondingly but the price of oil has continued to move since then and is over $20.00 a barrel currently. Back of the envelope calculations indicate that each dollar of higher price add 0.2% of GDP to the government oil and gas revenues and 0.1% of GDP in subsidies at the constant domestic fuel prices. This implies an increase of 0.1% of GDP net income to the government for each dollar increase in the Indonesia export price of oil.[18]

Taxes

Probably more important is the possibility that tax revenues may have been underestimated substantially. The budget indicates that non-oil tax revenues are expected to fall from over 10% of GDP realized last year (down only slightly from historical levels) to 8% this year. With this estimate nominal non oil and gas rupiah revenues fall, in spite of estimates of growth in the 2% range and inflation in the 5% range and buoyancy turns negative. From Table Two we see that these buoyancy estimates have held up reasonably well during the crisis, but the concern is that tax revenues will now fall significantly. More specifically the high income tax revenues from interest income will decline, corporate taxes will continue sluggish and slow growing VAT cannot pick up the difference.

Bank Recapitalization costs

This year's and last year's budgets include, for the first time, estimated costs for bank recapitalization. These too were done at a point when interest rates were much higher than they are now. These costs were estimated to be 34 trillion rupiah and are used to cover interest costs on two broad sorts of bonds. Those put into the banks to replace non-performing loans, and those placed with Bank Indonesia to repay previous liquidity credits. Estimates of the amounts of these bonds outstanding by the end of the year vary enormously. However for the sake of this exercise assume that bonds are outstanding for the entire fiscal year and that bonds to the banking system were 300 trillion and bonds to Bank Indonesia were 150 trillion giving total bonds outstanding of 450 trillion. Assume further that the bonds to the banking system are set at the three-month SBI rate and the bonds to BI are set at inflation plus three percent, with only the three percent paid out of the budget. This would imply an interest cost of 14% of 300 trillion and 3% of 150 trillion or 42 trillion plus 4.5 trillion or 47.5 trillion.

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[18]This net gain would be between 150 and 200 million USD per dollar. Actually Indonesia's external revenues from gas may exceed oil, but oil and gas prices are very correlated.

Done at 21% interest these costs would have been 63 trillion plus 4.5 trillion or 67.5 trillion. The budget figure of 34 trillion represents about half of the earlier estimated amount implying that the bonds would have been in place for an average of one-half of the year. Applying this to the new interest rate would imply restructuring costs in this year's budget of 24 trillion.[19]

Expenditures

Expenditures, particularly development expenditures, fell well behind programmed levels last year. As explained this was due to the change in cabinet, uncertainty about donor financing and the start-up time needed. These problems are largely past and programmed expenditure levels can probably be met, at least for this year.

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[19] There are two important issues here. First, putting off these costs is a fictitious saving. These costs are mounting in the banks and will just have to be paid in the form of a higher level of debt later. Second, the payments to Bank Indonesia can probably be taken out of the government's costs. These will presumably turn up as profits to Bank Indonesia and be returned to the government (minus BI's share as non-tax revenues).

An Alternative Scenario for this year's budget

Table Three presents an adjusted version of the figures in Table One with this years budget with oil & gas revenue and subsidies adjusted to an Indonesian oil export price of $17 dollars a barrel. Non oil and gas tax revenues grow, but at approximately half their historical level (buoyancy =0.5 and with GDP growth assumed to be 2% and inflation 5.5%), finally bank recapitalization costs are adjusted to lower interest rates. Other estimates on the revenue and expenditure sides are left as is. Maintaining developing spending and net lending at the same share of GDP implies that the same level of financing is not needed. This creates a significantly different current, primary and overall balance.[20] Here the claim on domestic financing is reduced, in fact a surplus is created in this category, but foreign financing could be reduced as well as the fiscal year evolves.

Table Three
Central Government Operations 99/00
(% of GDP)

	CGI	Alt
Total Revenue	13.3	14.4
Tax Revenue	12.0	13.2
Oil & gas	3.0	3.4
Non-oil & gas	9.0	9.7
Non Tax Revenues	1.2	1.2
Total Expenditures	17.8	18.1
Current expenditures	12.4	12.6
o/w subsidies	3.1	3.3
o/w interest on external debt	1.8	1.8
Development spending and net lending	5.5	5.5
Current balance	0.9	1.8
Primary balance	-2.8	-1.7
Interest on bank restructuring	3.1	2.2
Privatization proceeds	1.2	1.2
Overall balance	-6.5	-4.5
Financing	6.5	4.5
Domestic	1.5	-0.6
Recovery of bank assets	1.6	1.6
Net foreign assets	3.5	3.5

[20] There is a sizable difference between the estimate of the deficit on the overall balance between the version presented here and the CGI estimates in IMF (1999). This difference is due to the value of GDP chosen. Implicitly the CGI budget uses a GDP of 1.22 trillion rupiah. The GDP in IMF (1999) is not given but can be calculated. Dividing the deficit of 71 trillion by 5.8% of GDP gives 1.22 trillion. This implies an implausible growth in nominal GDP of 21%, over the BPS estimate of GDP for 98/99 of 1.01 trillion rupiah. In Tables One and Three I have used the IMF budget figures but, for comparability, have substituted a GDP that grows 2% and inflation of 5.5% for overall growth in nominal GDP of 7.5% in FY 1999/2000.

III.   Sustainability

After averaging growth of more than 7% for thirty years the Indonesian economy grew by less than 2% in 1997/98, and contracted by more than 14% in 1998/99. Running a budget deficit in this circumstance is clearly desirable and under the structural adjustment program a deficit of 8.5% of GDP was allowed for. Whatever the desirable level of deficit might be, it is clear that the actual deficit will be reasonably substantial (although perhaps less than the desirable ones) for the next few years. Making some heroic assumptions let us see what a mid-term budget might look like.

For the sake of argument let's look at the budget deficit in the fiscal year 2003/04 or four years from now and six years from the crisis, considerably longer than the period it took to recover budget neutrality after the oil shock in 1986. Obviously there are many imponderables exchange rates, interest rates, growth rates, inflation, and oil prices to name just a few. However, focusing on shares of GDP and items under the policy control of the government puts the focus on a few central items.

Lets start with the overall expenditure items first as these might be targets and we can solve backward for the subsidies and revenues to see what it might take to achieve these.

Development Spending

Lets assume that we need to maintain to this year's 5.5% of GDP for the development budget. This should be sufficient especially if it is prioritized better and used more efficiently to both catch-up on deferred spending and to maintain the recovery momentum.[21]

Routine Spending

However, the government needs to anticipate higher civil service costs from both salary reforms and, possibly incentives for decentralization and this might involve raising personnel and other costs more broadly. This would raise current budget costs (non subsidy non interest items) by some, to be determined amount, but assume 1.5% of GDP. The figure is not shown but this involves moving non-interest non-subsidy costs from 7.5% of GDP to 9.0% on the current budget.

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[21] This ratio of capital spending is a high by international standards (see Table Five) and it is no secret that there is (an unknown portion of) routine spending included as development spending in the Indonesian budget. This exercise implies no large overall change in the way budgeting is done.

Subsidies and Revenues

Now how do we achieve these spending targets. The first place to look is at cutting the subsidies. From a historical average of less than 0.5% of GDP these are currently running over 3% of GDP. Obviously getting them under control is a key to achieving sustainability. This exercise assumes that they will have been reduced to zero by the end of the period for a reduction in expenditure of 3.3% of GDP.

The second largest potential for change comes from raising non-oil tax revenues to pre-crisis levels or higher. The highest share of GDP these revenues reached historically was 11.1% in 1994/95 but that was relatively unusual and they have been closer to 10% on average. However, with increased tax effort achieving 11.5% within four years or 0.5% a year during a recovery should be possible. This gives an increase of 1.8% of GDP. More was accomplished in the early 1980's but this was the beginning of the new tax system and is probably not indicative. However, even by the late 80's between 89/90 and 93/94 there was a gain of 2% so this much increase in revenue is not beyond historical levels.

The third item is non-tax revenues. There is greater potential for revenues from this source as well. Hopefully, by 2003/04 the economy will be well into a recovery cycle and profits from state-enterprises will be restored. Non-tax revenues include many other items and have been highly volatile historically. As privatization proceeds and the government concedes control it will be in a position to achieve higher profits from greater private sector efficiency for its remaining shares. An independent Bank Indonesia, with reduced costs for bank supervision and limited liquidity credits, will undoubtedly be more profitable as well. Assume that the share of GDP here approximately doubles from 1.2 to 2.5% of GDP.

Offsetting these, somewhat, is a decline in oil & gas revenues. These are assumed to decline; production rises slightly but international oil prices and the exchange rate are approximately constant at current levels. As the GDP rises oil & gas revenues fall as a share. Interest costs of both foreign debt and bank restructuring are assumed to rise slightly. Again

Table Four
Central Government Operations
1999/00 vs 2002/03
(% of GDP)

	1999/00	Alternate 2003/04
Total Revenue	14.4	16.8
Tax Revenue	13.2	14.3
Oil & gas	3.4	2.8
Non-oil & gas	9.7	11.5
Non Tax Revenues	1.2	2.5
Total Expenditures	18.1	16.5
Current expenditures	12.6	11.0
o/w subsidies	3.3	0.0
o/w interest on external debt	1.8	2.0
Development spending and net lending	5.5	5.5
Current balance	1.8	6.3
Primary balance	-1.7	3.2
Interest on bank restructuring	2.2	2.4
Privatization proceeds	1.2	0.9
Overall Balance	-4.5	-1.2
Financing	4.5	1.2
Domestic	-0.6	0.0
Recovery of Bank Assets	1.6	1.2
Net Foreign Assets	3.5	0.0

the exchange rate is constant as are foreign interest rates but rescheduling and new debt over the interim years raise financing costs some. Interest costs on bank restructuring rise as well in spite a declines in domestic interest rates due to the rising stock of assets restructured, and more importantly the fact that the share is understated for the base year.

The bottom line

If everything works as assumed the bottom line is a small deficit of 1.2% of GDP by that point. This deficit is assumed to be financed by the sales of recovered bank assets and/or the government's equity in the banks being sold off. No recourse to domestic financing is needed, and net foreign borrowing is zero.[22] Is this possible? The key is probably the elimination of the subsidies. This makes the greatest contribution. Raising non-oil & gas taxes to 11.5% is slightly high by historical standards but low by international comparison and may be conservative. With better auditing and significant privatization 2.5% for non-tax revenues might also be conservative. Maintaining the development budget and raising the current (non interest non subsidy) budget 1.5% is probably about the minimum possible given deferred costs and agenda's in civil service reform and decentralization. If there were no further bank asset sales to be done, some recourse to domestic financing might be possible, as would some amount of net foreign borrowing, commercial if nothing else at this relatively low deficit level. All in all if the subsidies are eliminated the situation is probably sustainable.

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[22] This does not mean that gross foreign borrowing is zero. By the government's PSBR calculation the amount needed by Indonesia would be large, i.e. enough to cover the amortization of existing debt at that point, i.e. probably in the range of 6 to 7 billion USD.

An International Comparison

Would the level of government expenditure implied in Table Four meet Indonesia's needs, and do the levels of tax and non-tax revenues imply an effort that would be unusual by international standards. There are no accepted criteria for an optimal level of government and countries vary widely in their choices based on history, level of development, size and other characteristics. Nevertheless it may be useful to look at some of the countries that are comparable to Indonesia to check these projections. **Table Five** presents some international comparisons. The comparison countries include the major ASEAN countries, a selection of Latin American countries, and a few others. The average chosen is the median to reduce the influence of the outliers. The shares of GDP of these countries would imply that a goal of expenditures of 16 to 17% of GDP would certainly be well within international standards. Total tax revenues of 14.3% would be a bit low. This is particularly true as almost 3% of these come from oil & gas revenues a source that only a few of these countries can call on. Non-tax revenues at 2.5% of GDP would also be well within international averages. The concern is the interest rates. At 4.4% (2% on foreign debt and 2.4% on bank debt would be high although there are certainly other countries in this range and higher.[23]

Table Five
International Budget Comparison
(% of GDP)

Country	Current Revenue			Expenditure			
	Total	Tax	Non tax	Total	Current	Capital	Interest
ASEAN							
Indonesia	14.5	13.1	1.4	12.0	6.5	5.5	1.3
Malaysia	24.8	20.2	4.6	22.4	17.6	5.1	3.0
Philippines	17.7	16.3	1.4	17.9	15.2	2.8	3.8
Singapore	26.0	16.3	9.7	15.9	12.3	3.6	1.0
Thailand	18.6	16.9	1.7	15.8	10.3	5.4	0.3
Median	*18.1*	*16.6*	*2.3*	*17.0*	*12.4*	*4.7*	2.1
Latin America							
Argentina	12.9	11.9	1.0	14.5	13.5	1.1	1.5
Brazil (1994)	27.0	20.1	6.8	33.8	34.1	0.9	14.9
Chile	22.2	18.4	3.8	19.9	16.7	3.1	0.7
Colombia (1993)	14.6	12.8	1.8	14.4	11.8	2.5	1.5
Mexico	15.3	12.8	2.5	15.9	13.9	1.9	2.9
Peru	15.2	13.5	1.7	16.6	14.2	3.0	3.0
Venezuela	16.4	13.2	3.2	18.6	15.7	2.9	4.8
Median	*15.3*	*13.2*	*2.5*	*16.6*	*14.2*	*2.5*	*2.9*
Others							
Egypt	34.6	21.0	13.6	33.5	27.1	6.4	7.3
India	13.1	9.9	3.2	15.8	14.0	1.8	4.2
Korea	20.1	17.7	2.5	17.7	14.2	3.5	0.6
Median	*20.1*	*17.7*	*3.2*	*17.7*	*14.2*	*3.5*	*4.2*

Sources: budget: IMF, Government Finance Statistics Yearbook, 1998; GDP -- International Finance Statistics, November 1998.

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[23] It is dangerous to generalize too much from the budgets, or national accounts of countries you are not familiar with. For Indonesia I have used the GDP for 1996/97 to deflate the GFS budget statistics to give figures in the range of those in previous table. Depending on fiscal years etc. the other countries could well need adjustment too.

Debt sustainability

The final topic before moving on to some thoughts about fiscal policies is the issue of government debt. As quoted in the introduction the share of government debt to GDP is now indicated to be over 100% when foreign and domestic components are added together and implicit government obligations for state enterprises and banks are included. In theory the government has also gained a significant amount of assets (currently held in IBRA) that could be set against these debts. However, the budget strategy for the next few years implies using the sale of these assets to augment foreign borrowing to finance deficits until domestic revenues rise to close the gap. Thus these assets will not be available for sale later on. Estimates on the recovery rates vary widely but with the assumption that IBRA recovers around 30% of these assets these sales along with continued, but reduced, foreign borrowing might be able to fill financing needs through the year 2003/04 when presumably they will begin running out. Assuming a higher rate of return would make the situation look better, and conversely a lower rate would make the situation look worse. Table Six gives some idea of where we might be at that point, again with some assumptions about underlying parameters. In Table Six the debt stock to GDP peaks in 1998/99 at 93% and declines a few percentage points this year The World Bank indicates a total end year 1999 government debt of 102% of GDP, as cited in the introduction. Differences arise from the use of calendar versus fiscal year, the level of the nominal GDP chosen, the inclusion of bank and State owned enterprise debt, the stock of bonds issued and estimates of additional net foreign drawings.

Table Six

The Evolution of the Debt Stock

(% of GDP)

	1990-95	1996/97	1997/98	1998/99	1999/00	2003/04
Official Debt	34.0	24.3	65.2	92.7	87.2	65.5
Foreign	34.0	24.3	65.2	50.7	41.7	32.3
Bank Restructuring	0.0	0.0	0.0	41.9	45.5	33.2
Stock of Debt outstanding						
Recapitalization bonds (billion Rp)	0	0	0	450,000	495,700	525,000
Foreign Debt billion USD)	54.3	55.9	54.2	59.2	64.9	73.0
Memorandum Items:						Average
Interest Rates						
Implicit interest on foreign debt	5.0	5.7	2.5	5.1	5.0	5.0
Implicit interest on bank restructuring	0.0	0.0	0.0	2.0	4.8	7.6
Growth in Nominal GDP	16.4	18.1	24.3	46.7	7.5	9.0
Growth in Real GDP						4.0
Inflation						5.0

Source: IMF (1997) table 56, and "World Bank Indonesia from Crisis to Opportunity," Table 15.

Moving forward we assume that the stock of recapitalization bonds after rising somewhat has stabilized, while the stock of foreign debt continues to rise to finance continuing deficits in the years ahead. The figures here are purely indicative. Meanwhile, the share of government debt to GDP falls relatively rapidly.

This brings us back to the concept of the primary balance. As people have studied debt sustainability they have not come up with rules for the optimal levels but they have drawn some conclusions for the requirements to keep debt levels from rising as a share of GDP. If the primary balance is zero, the only effective deficit the government is running is the consequence of its payments on existing debt. In this situation the overall debt will be increased by the amount of the implicit interest rate.[24] If the nominal GDP is growing faster than this effective nominal interest rate then the debt share of GDP has to decline. This condition is relaxed by the existence of a primary surplus. The larger the primary surplus the less the growth rate needed to exceed the implicit interest rate or, conversely, the faster the debt declines as a share of GDP at a given growth rate.

The parameters in Table Six assume a nominal GDP growth rate of approximately 9% over the next few years (4% real growth, and 5% inflation), while the foreign interest rate is assumed to remain at the 5.0% implicit rate it has maintained for many years, and domestic interest rates are assumed to be close to 8%. This 8% is a weighted average of an SBI index and the 3% bonds being paid to the central bank, and therefore also an implicit rate. With these parameters and, at least by this point, a positive primary balance, debt levels as a share of GDP decline rapidly (by 5 to 6% of GDP a year).

By the end of the period Central Government debt is still 65.5% of GDP and generates interest payments over 4% of GDP (implicitly interest is between 6 and 7%). But is falling rapidly, in fact Indonesia would be within a year of achieving the European Union rule of government debt at 60% of GDP. This is in an economy where nominal growth is much more likely to exceed implicit interest rates than European countries.

IV.   Fiscal Policies for Economic Recovery

Overview

All in all the assumptions required to achieve the results in Tables Four and Six are far from impossible. However, they are not easy and achieving them, at least at the speed indicated, is dependent on the economy growing reasonably rapidly (although not as rapidly as pre-crisis), the exchange rate remaining approximately stable and inflation and interest rates remaining low(er).

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[24] Ignoring currency composition and cross and own exchange rate issues.

<u>Risks</u>

The economy could go this smoothly, and things could then turn out this well (or better), but there is little or no slack built in, if things go wrong. Unfortunately things can go wrong for any number of reasons ranging from exchange crises, to commodity price shocks and downturns in major trading partners. If there were to be a large shock the outcome above could look at lot worse and rapidly and sustainability would be jeopardized. On the domestic side a new government will come in, and may find it difficult to address subsidies, or may want to push in the direction of adding other spending priorities without making hard choices over priorities.

<u>Tax resistance</u>

Indonesia has been fortunate in its development by being able to fund a relatively large share of its government needs through oil and gas revenues.[25] These do not actually go through taxpayer's pockets and thus do not run into the resistance of more conventional taxes. Conventional taxes and perhaps especially income taxes run into resistance, from businesses and people who naturally enough want to know what the government is doing with "their" money. In some sense the government has probably been doing reasonably well with this money; maintaining growth that has averaged over 7%, while successfully reducing poverty, and raising literacy. However, that is history and not in the forefront of people's minds as they continually see stories of misappropriated and misallocated funds. If the effort to raise the tax to GDP ratio is to work it has to address these concerns. Addressing them has two fronts. First, as everyone knows reducing KKN has to be a priority with concrete steps, and second the government has to do a better job of defining priorities, delivering services efficiently and providing information about what it is doing so that people can see what they are getting.

Fiscal Policies

I see six areas where effective choices in fiscal policy, considered broadly, need to be made in the next few years. Let me deal briefly with the issue of subsidies, non-oil tax revenues, and non-tax revenues. The other three setting budget priorities, civil service reform and decentralization are at least equally important but will not be addressed here.

<u>Subsidies</u>

As I indicated above reducing or eliminating subsidies is a (the) key to achieving sustainability over the medium term. At more than 3% of GDP (up from 0.5% pre-crisis) they represent a substantial amount of resources that can be made available to other <u>higher</u> priority government spending.

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[25] Although there is also a sense that these resources can be a curse. Among other things they have created "Dutch Disease" problems of overvalued exchange rates, and have often led to poor expenditure choices in countries with large resource tax bases. By most accounts Indonesia has done relatively well with these resources.

Addressing this issue may well be the highest (and most contentious) issue for the next government. This is an area in its own right, but let me make a few comments.

Existing subsidies are set off of nominal prices, and therefore represent potentially massive liability for any economic program. Any disruption to the exchange rate translates into a higher subsidy (especially if the shock is not from oil prices which would be off-setting). As the price of fuel in Indonesia gets further and further from international levels the problem becomes increasingly difficult to fix.

These subsidies are, by and large, not even well targeted. Studies show that these subsidies are not effective in reaching the poor and leak disproportionately to the better off. Thus they do not even serve equity claims.

The experience with broad subsidies for food under the Social Safety Net program would seem to be instructive here. Initially the idea was to subsidize a number of basic foods across the board, this failed as international prices and domestic prices began to diverge significantly and smuggling resulted. The effort then moved to targeting rice and was marginally more successful but still quite expensive. The final innovation was to move to a strategy aimed at giving clearly stated amounts of rice to selected poor families. This appears to have been superior. From what I can see people seem to have understood the problem, the rationale and the proposed system and it was accepted. Perhaps this could serve as a template as we move to eliminate fuel and electricity subsidies.[26]

If subsidies are desired or needed, they should be limited to an explicit share of GDP. This would involve changing the mechanism away from fixed nominal prices to some proportional mechanism. With this the government and parliament can decide between competing priorities and focus them where they are needed, perhaps on urban public transport instead of fuel among other things.

Non Oil & Gas Tax Revenue

In Section three it was proposed that Indonesia part of the solution was a targeted increase in tax revenues to GDP of a 0.5% annually. This in part compensates for a secular decline in likely oil and gas revenues as a share of GDP, in part for the need to pick these revenues up from their current depressed levels. Again the key is overcoming tax resistance, or at least working around it while the economy and political situation continue to mend. Feelings that the government is not be spending either wisely or efficiently have a number of sources. Mentioned above were the concerns about corruption, and the issue of information. An additional concerns relates to the regional dimension of these feelings, where there is a concern that revenues flow to Jakarta and do not flow back. These

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[26] The clear definition of an interest group receiving higher prices (rice farmers) makes the analogy a bit weak when compared to the issue of fuel prices, but the issue of focus still seems appropriate.

feelings may be particularly strong with respect to resource revenues. What can be done about this? Here are some of my thoughts:

Again better communication needs to be done on what the government is doing with its money. With some investment the ability to communicate through the Internet should make it possible to be more transparent about project spending. Decentralization should also help at least in the long run. With revenues and expenditures closer to people there should be a better sense of what the money is being used for.

More immediately value added taxes need to be made more buoyant and it is important to determine what happened to them over the last year or so. It may be that the sectoral base of the VAT has to be broadened to reduce the apparent dependence on imports and spread the burden of these taxes more broadly. VAT taxes may induce less resistance than personal income taxes, and until the economic, political and social situation has recovered they may have to be a priority. An added benefit of the fact that they have not grown is that it should be relatively easier to push them faster than other tax categories. However, they are more regressive than personal income taxes and are therefore less appealing to our sense of equity. Given the urgency to raise tax revenues it may be important to forego this issue of equity for a time, or compensate for it in the personal income tax code.

Obviously, raising tax revenues as a share of GDP is such a high priority that efforts need to be carried out across the board. Audit systems and criminal penalties may need to be strengthened and/or enforced to improve enforcement of both the VAT and the corporate income tax. The mandate of a new government is a tool to increase compliance.

Non-tax revenues

There are a number of items in this category but let me on the issue of privatization. In theory there is a commitment to privatization and some sales are occurring. Nevertheless, many of these sales are of less than controlling interest which history and analysis in other countries shows do not deliver large gains to the government. These studies show that conceding control of public enterprises, while maintaining a high level of minority ownership maximize gains. Selling 51% of an enterprise can often make the remaining 49% worth more than the whole company due to the increased efficiency of the private sector. And this does not even include the increased taxes that also flow to the government. In fact, it is said, by experts in privatization, that the initial sale is the least of the government's gains from privatization. Restructuring and consolidation will only delay these gains and put the privatization process under more pressure in future years.

Bank Indonesia is another public enterprise whose profits flow to non-tax revenues. In the past these profits appear to have been relatively limited, constrained perhaps by liquidity credits and other

costs.[27] However, in the future, many of Bank Indonesia's costs, for bank supervision for example, are expected to be removed, and liquidity credits as well. These should act to make Bank Indonesia more profitable and these profits should flow back to the government through this non-tax revenue.

There are three other areas that deserve mention as they are critical to thinking about fiscal policy in the next few years.

<u>Decentralization/Public Service reform/Public expenditure policy reform</u>

Decentralization was brought up in the context of increasing the tax ratio. Public service reform was introduced in regard to raising the shares of current revenue to finance, implicitly, higher salaries and institutional restructuring. I did not deal with public expenditure policy in this paper but it is clear that resources are limited and that it is important to prioritize carefully and restructure budgeting systems so that they can help to do this. However, these issues are critical to fiscal policy and are vast in their own right. The only thing I would add about them is again to say that Indonesia should guard against excessively rapid increases in expenditures associated with these areas in the immediate future. The budget constraint will need to be a hard one, and if necessary spending may have to slow down to meet it.

V.   Conclusion

Tables Four and Six show that the budget situation can be sustainable, but that it will take political will, hard work and perhaps good luck. Another major shock would make the situation difficult. Debt restructuring is certainly called for, and may need to be extended, but debt relief does not seem to be needed. Calls for debt relief with high levels of subsidies (with virtually unlimited liability as subsidized prices are set in nominal terms) coupled with relatively low tax revenue shares (outside of oil) are likely to be counterproductive. Foreign observers will conclude that Indonesia has not done its share to solve the problem. Added to this is the perception of foreign observers that while Indonesian government's debts are large, assets are also large and the government's net worth is very unclear.

Progress on reducing subsidies, raising taxes (especially VAT), and increasing non-tax revenues through privatization, are keys to achieving sustainability. An external benefit of a strong strategy to achieve these targets will arise if there is another crisis. If Indonesia has made significant progress in these areas and was then hit by a crisis, the world community would be forced to look on

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[27] IMF (1997) Table 23, indicates that Bank Indonesia remitted an estimated profit of 430 billion rupiah to the government in 1995/96 (by far the largest amount in the year's shown). This amounts to 0.1% of GDP in that year. Most estimates of seigniorage range between 1 and 2% of GDP.

this situation sympathetically. The converse is equally true. Little or no progress in these areas would leave foreign observers with less sympathy if there were another problem and debt forgiveness were to be needed.

Annex Table One

Central Government Budget

	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93
Total Revenue	15,932	20,940	17,386	21,730	23,413	31,503	42,194	42,582	48,862
Tax rev	15,224	19,255	15,170	20,013	21,880	29,464	39,752	39,989	45,422
Oil & Gas	10,430	12,925	6,687	10,083	9,536	13,381	17,740	15,070	15,331
Non Oil and Gas	4,794	6,330	8,483	9,930	12,344	16,083	22,012	24,919	30,091
Non-tax	708	1,685	2,216	1,717	1,533	2,039	2,442	2,593	3,440
Grants	0	0	0	0	0	0	0	0	0
Total expenditure and net lending	16,283	21,703	17,880	24,040	26,839	33,054	37,806	41,930	49,999
Current	7,978	10,144	10,199	12,270	14,338	17,616	21,236	20,614	23,583
o/w personnel	3,141	3,930	4,438	4,545	5,489	6,206	7,088	8,166	9,554
o/w subsidies	508	450	0	402	82	707	3,306	930	692
o/w interest on external debt	1,317	1,440	1,541	3,087	4,365	5,056	4,691	4,163	4,225
Development and net lending	8,305	11,559	7,681	11,770	12,501	15,438	16,570	21,316	26,416
Current balance	7,954	10,796	7,187	9,460	9,075	13,887	20,958	21,968	25,279
Primary balance	966	677	1,047	777	939	3,505	9,079	4,815	3,088
Gross interest bank restructuring costs	0	0	0	0	0	0	0	0	0
Privatization proceeds	0	0	0	0	0	0	0	0	0
Overall balance	(351)	(763)	(494)	(2,310)	(3,426)	(1,551)	4,388	652	(1,137)
Financing	351	763	494	2,310	3,426	1,551	(4,388)	(652)	1,137
Domestic bank financing	0	(203)	(1,502)	1,824	(101)	(60)	(4,884)	(2,193)	63
Recovery of bank assets	0	0	0	0	0	0	0	0	0
Net Foreign financing	351	966	1,996	486	3,527	1,611	496	1,541	1,074
Gross Drawing	1,780	2,829	5,513	5,556	10,124	8,331	8,382	9,976	11,098
Amortization	1,429	1,863	3,517	5,070	6,597	6,720	7,886	8,435	10,024

(Percent of GDP)

	84/85	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93
Total Revenue	17.4	20.7	15.7	16.2	14.9	17.0	19.0	16.6	16.7
Tax rev	16.6	19.0	13.7	14.9	13.9	15.9	17.9	15.6	15.5
Oil & Gas	11.4	12.8	6.0	7.5	6.1	7.2	8.0	5.9	5.2
Non Oil and Gas	5.2	6.2	7.6	7.4	7.8	8.7	9.9	9.7	10.3
Non-tax	0.8	1.7	2.0	1.3	1.0	1.1	1.1	1.0	1.2
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure and net lending	17.8	21.4	16.1	17.9	17.0	17.8	17.0	16.3	17.1
Current	8.7	10.0	9.2	9.1	9.1	9.5	9.6	8.0	8.0
o/w personnel	3.4	3.9	4.0	3.4	3.5	3.3	3.2	3.2	3.3
o/w subsidies	0.6	0.4	0.0	0.3	0.1	0.4	1.5	0.4	0.2
o/w interest on external debt	1.4	1.4	1.4	2.3	2.8	2.7	2.1	1.6	1.4
Development and net lending	9.1	11.4	6.9	8.8	7.9	8.3	7.5	8.3	9.0
Current balance	8.7	10.7	6.5	7.0	5.8	7.5	9.4	8.6	8.6
Primary balance	1.1	0.7	0.9	0.6	0.6	1.9	4.1	1.9	1.1
Gross interest bank restructuring costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization proceeds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	(0.4)	(0.8)	(0.4)	(1.7)	(2.2)	(0.8)	2.0	0.3	(0.4)
Financing	0.4	0.8	0.4	1.7	2.2	0.8	(2.0)	(0.3)	0.4
Domestic bank financing	0.0	(0.2)	(1.4)	1.4	(0.1)	(0.0)	(2.2)	(0.9)	0.0
Recovery of bank assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Foreign financing	0.4	1.0	1.8	0.4	2.2	0.9	0.2	0.6	0.4
Gross Drawing	1.9	2.8	5.0	4.1	6.4	4.5	3.8	3.9	3.8
Amortization	1.6	1.8	3.2	3.8	4.2	3.6	3.6	3.3	3.4

Note: Data from World Bank (1999) , Indonesia "From Crisis to Opportunity" regrouped into IMF format.

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